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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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| | |
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| IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS ELECTRIC, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND REQUEST FOR APPROVAL OF RELATED FINANCING. | DOCKET NO. E-04204A-06-0783<br><br>**NOTICE OF FILING UNS ELECTRIC, INC.'S SUMMARIES OF WITNESSES' TESTIMONY** |

UNS Electric, Inc. ("UNS Electric" or "Company"), through undersigned counsel, hereby files the summaries of James S. Pignatelli, Thomas J. Ferry, Kentton C. Grant, Kevin P. Larson, Karen G. Kissinger, Dallas J. Dukes, Michael J. DeConcini, Edmund A. Beck, D. Bentley Erdwurm, Denise A. Smith, and Thomas N. Hansen in the above-captioned docket.

Arizona Corporation Commission
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RESPECTFULLY SUBMITTED this 7th day of September 2007.

UNS Electric, Inc.

By [signature]
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By Mary Ippolito

# Summary of the Testimony of James S. Pignatelli Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

In my Direct Testimony, I support UNS Electric's request for an increase in rates by providing: (i) a summary of UNS Electric's request and the factors that have caused us to file our application at this time; (ii) a brief history of the acquisition of UNS Electric and an explanation of the customer benefits provided by the acquisition; (iii) a discussion of the existing power supply arrangements for UNS Electric and proposed changes to improve the operation of the current Purchased Power and Fuel Adjustment Clause ("PPFAC"); (iv) a summary of UNS Electric's proposal for acquiring future generation assets, specifically the Black Mountain Generating Station ("BMGS"); (v) an explanation of why it is appropriate to include construction work-in-progress ("CWIP") in rate base for UNS Electric; (vi) a summary of the Company's Time of Use ("TOU") pricing plan additions and modifications, other new or enhanced Demand-Side Management ("DSM") programs, and current and proposed low income assistance programs; and (vii) an identification of other UNS Electric witnesses and the topics that they will address in their respective testimony.

In my Rebuttal Testimony, I strongly disagree with the rate increases recommended by Commission Staff ("Staff") and the Residential Utility Consumers Office ("RUCO") as the recommendations are insufficient to sustain the necessary levels of operation of UNS Electric. Specifically, I testify that: (i) the recommendations to exclude CWIP from rate base do not address or reflect the circumstances the Company is facing; (ii) the Commission should adopt the Company's proposal concerning the new BMGS as it is in the best interests of the Company and its customers; (iii) the Commission should adopt the form of the PPFAC proposed by Staff and the Company's related Plan of Administration; and (iv) it is important for the Company to attract and retain a qualified and dedicated workforce, and that the inclusion of costs related to compensation programs supports this goal.

In my Rejoinder Testimony, I address: (i) the proposed PPFAC and anticipated increases in the costs of purchased power and fuel; (ii) the benefits of our proposal regarding the BMGS; and (iii) Staff's asserted "financial distress" standard regarding CWIP.

# Summary of the Testimony of Thomas J. Ferry Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

My Testimony provides an overview of UNS Electric's operations including: (i) the substantial customer growth in UNS Electric's service area; (ii) capital investments since the acquisition of the electric assets from Citizens Communications in 2003; (iii) improvements to customer service; (iv) enhancements to the Company's low-income assistance programs; and (v) proposed changes to UNS Electric Rules and Regulations.

My Direct Testimony had summarized the Company's Demand Side Management ("DSM") Program. The Company has since substantially revised the DSM Program and filed its DSM Program Portfolio on June 13, 2007 in Docket No. E-04204A-07-0365 in response with Commission Staff's desire to expand the UNS Electric DSM program. Denise A. Smith is now the Company's primary witness regarding the Company's modified DSM and Low-Income Weatherization Programs.

I also provide testimony regarding the Company's proposed changes to the Rules and Regulations. The majority of the recommended changes in the Rules and Regulations were intended to make them easier to read and understand. We also suggested revisions that provided consistency with UNS Gas for policies that are applicable to customers served by both UNS Gas and UNS Electric in Mohave and Santa Cruz Counties. Finally, I dispute certain operating expense adjustments RUCO witness Rodney L. Moore is advocating.

# Summary of the Testimony
# of Kentton C. Grant
# Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

In my Direct, Rebuttal and Rejoinder Testimonies, I focused on two key issues. First, I estimate the cost of capital to UNS Electric and recommend a rate of return ("ROR") on invested capital that is based on this cost of capital. Second, I examine the Company's ability to attract new capital on reasonable terms, and based on this analysis, I recommend that the Company's test year balance of construction work in progress ("CWIP") be included in rate base. My recommendations are designed to provide UNS Electric with an opportunity to earn a reasonable ROR on the fair value of its properties dedicated to public service, and to ensure that the Company will have access to the capital needed to meet customer growth and to maintain a high quality of customer service.

As described in my Testimony, the largest financial challenge facing UNS Electric today is the extraordinary growth in required plant investment. Over the last three years, the Company's net investment in utility plant has increased by 69%. Over the next three years, net plant investment is expected to increase by another 49%. To-date this plant investment has been funded through the retention and reinvestment of all net income earned by UNS Electric, as well as through additional equity contributions made by UniSource Energy Corporation. Consequently, the Company has been able to improve its balance sheet over time, increasing its equity-to-capitalization ratio from 36% in 2003 to 49% by the end of the test year in this rate case. The Company anticipates receiving additional equity contributions from UniSource Energy over time in order to fund new plant investment, thereby enabling UNS Electric to maintain a reasonable mix of debt and equity capital. However, in order to do this, UNS Electric must be given a reasonable opportunity to actually earn a reasonable ROR.

In addition to the financial challenges posed by increasing plant investment, the Company is also facing the prospect of refinancing $60 million of long-term notes maturing in August 2008 and replacing a full requirements power supply contract expiring in May 2008. If the Company were entering this period with investment-grade credit ratings and strong cash flows, the ability of UNS Electric to attract capital and obtain replacement power on reasonable terms would be much less of an issue. However, in light of the Company's speculative-grade credit rating and weak cash flows, the issue of financial integrity is of critical importance in this proceeding. As indicated in my testimony, UNS Electric needs all or substantially all of its requested rate relief in order to attract capital on reasonable terms. And as evidenced by the recent turmoil in the financial markets, it is apparent that credit quality now has a much larger impact on the cost and availability of capital than before.

Management's own forecasts reveal that even if the Company's rate request is granted in its entirety, UNS Electric will earn a return on equity ("ROE") that is substantially lower than the requested ROE. These financial forecasts have been shared with Staff and the intervenors in this case, and have been summarized in my Testimony as well. If the revenue requirement adjustments recommended by Staff or RUCO are adopted in their entirety, the Company's earned ROE is projected to fall into the low single digits. As a result, the Company's ability to attract new capital would be seriously jeopardized. Such a result would not be in the interest of either UNS Electric or its customers.

A key part of the Company's rate request is the proposal to include the test year balance of CWIP in rate base. The Company agrees with Staff and RUCO that this ratemaking approach has not been used for some time in Arizona, and that the circumstances in this case are different from the circumstances in prior cases where CWIP was allowed in rate base. However, as described in my Testimony, the Company's high rate of growth in plant investment certainly qualifies as an extraordinary circumstance. Additionally, when the negative financial impact of growth and regulatory lag on UNS Electric is considered, the Company clearly needs to earn a return on this test year investment in order to maintain its financial integrity. As a result, I strongly recommend that the Commission allow the inclusion of test year CWIP in rate base, or in the alternative, to include that portion of test year CWIP that has been placed into service as of June 2007.

As for the allowed ROR on invested capital, I recommend an overall ROR of 9.89%. This ROR is based on the test year capital structure consisting of 49% common equity, 47% long-term debt and 4% short-term debt. The requested ROE of 11.8% was obtained by adding an appropriate risk premium to the results I obtained from a discounted cash flow ("DCF") and capital asset pricing model ("CAPM") analysis of publicly-traded electric utilities, all of which enjoy investment-grade credit ratings and pay common dividends to their shareholders. This requested ROE is reasonable in light of the risks and challenges facing UNS Electric, the lack of any common dividend payments, and the speculative-grade credit rating assigned to the Company's long-term notes.

With respect to the ROR to be allowed on fair value rate base, I recommend in my Rebuttal Testimony that the Commission apply the weighted average cost of capital to fair value rate base. This recommendation was made in light of a recent Court of Appeals ruling that came out after the Company filed its rate application. Since the Company is not seeking any more rate relief than was requested in its December 2006 rate application, this change in the ROR to be applied to fair value rate base would not result in a higher rate increase than originally requested by UNS Electric.

# Summary of the Testimony of Kevin P. Larson Docket No. E-04204A-06-0783

I filed Direct, Rebuttal and Rejoinder Testimony in this case.

In my testimony, I explain that UNS Electric is approaching a critical juncture. On May 31, 2008, the Company's full requirements energy supply agreement with PWCC expires. On June 1, 2008, UNS Electric will need to have a portfolio of supply-side resources in place to serve its entire service territory of over 95,000 customers. The Black Mountain Generating Station ("BMGS") represents an opportunity for UNS Electric to add owned generation to its resource portfolio and provide some long-term price stability to its customers. The Company has presented the financial and operating benefits of owning BMGS in the course of these proceedings and UNS Electric believes its proposed rate-making treatment of BMGS is in the public interest.

The Company has agreed to put the following safeguards in place: (i) the maximum amount of construction costs that will be reflected in the rate reclassification will be $60 million -- the Company will not seek recovery of construction costs over $60 million until its next rate case; (ii) if BMGS is completed at a cost less than $60 million the Company will reduce the size of the rate reclassification in proportion with the final cost; and (iii) UNS Electric will file a project completion report with the Commission upon completion of the project and prior to making the rate reclassification.

UNS Electric is fully aware that the prudence of the construction costs of BMGS can be addressed in the Company's next rate case. However, we believe the information provided in our direct filing in December 2006 has given and still gives the Commission ample opportunity to review all aspects of BMGS. While not typical ratemaking treatment, the Company believes that the benefits of a post-test-year adjustment for BMGS are in the public interest.

In order to finance the $60 million to $65 million purchase price, UNS Electric will need to raise a like amount of debt and equity capital. Specifically, the Company is seeking authority to issue up to $40 million of new debt securities, and to receive up to $40 million of additional equity contributions from UNS Electric's parent company, over and above any contributions that could otherwise be made under Commission rules and orders. The reason that the Company is requesting a total of $80 million of new financing authority is that UNS Electric will need some flexibility in determining the exact mix of debt and equity capital to use. The final decision on which capital sources to use will depend on the cost of debt at that time, as well as the Company's ability to maintain a reasonably balanced capital structure after the purchase is made. The Application contains a more specific description of the financing transactions that UNS Electric is requesting authority to enter into. UNS Electric is requesting that authority in conjunction with this rate case.

# Summary of the Testimony of Karen G. Kissinger Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

In my Testimony, I support the underlying historical financial information of the Company presented in this case. I also provide support for various rate base and operating income adjustments requested by UNS Electric in this case. With respect to the calculation of rate base, I provide support for the following adjustments:

A. Acquisition Discount Adjustment
B. Accumulated Deferred Income Tax Adjustment
C. Plant Held for Future Use Adjustment
D. Working Capital Adjustment

With respect to operating income adjustments, I provide support for the adjustments for Depreciation Expense, Amortization Expense, Property Tax expense and Income Tax expense.

# Summary of the Testimony
# of Dallas J. Dukes
# Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

My Testimony addresses the Company's proposed revenue requirement and the operating expense adjustments to the test year, excluding depreciation expense and taxes. The key issues I address that have not been accepted by Staff and Intervenors are the:

- Normalization of Injuries and Damages Expense
- Performance Enhancement Plan ("PEP")
- Executive Compensation Programs
- Rate Case Expense
- Revised Payroll Adjustments
- A&G Capitalization
- Overhead Line Maintenance

The Company has agreed with Staff that a portion of FERC account 925, "Injuries and Damages" was overstated during the test year. That portion is related to "Worker's Compensation" expense, and the Company has proposed an adjustment to normalize it. The Company strongly disagrees with the normalization of the remainder of expenses charged to account 925 – as to do so – will significantly understate the actual incurred and expected expense levels.

The Company's PEP plan is a valuable management tool that provides a means to remain competitive in the hiring and retention of employees. That tool allows the Company to mitigate a portion of the rising cost of employee compensation and benefits. At the same time, it provides Company Management with additional means to encourage employees to work together to impact specific goals. It also provides Company Management with some additional flexibility to reward higher-performing employees in a manner other than increasing base wages, thus avoiding the corresponding increases associated with base wage increases. The Company has provided substantial evidence to support that the "total cash compensation", inclusive of PEP is reasonable and actually below market levels. The Company believes that the PEP program should be supported by the Commission as beneficial to ratepayers and that the request to include PEP payouts as a cost of service is fair and reasonable.

Executive compensation programs like "Long Term Incentives", "Deferred Compensation" and "Supplemental Executive Retirement" are often compared to "average" employee compensation. However, the attraction and retention of executives is subject to market forces and those forces must be considered to provide reasonable assurance that the Company has the best individuals possible in those positions. The Company believes that its executive compensation programs are a fair and reasonable cost of providing service to the customers. The

# Summary of the Testimony of Dallas J. Dukes Docket No. E-04204A-06-0783

Company has provided substantial evidence to support that these programs are normal, prudent and the total cost is reasonable and even below market levels.

The Company does not have the necessary internal technical or legal workforce dedicated to rate cases and, therefore, does not have the cost of such workforce included in its unadjusted test year expenses. The Company has had to have the work performed by individuals that work outside of UNS Electric. The majority of that work was performed by employees of TEP and their incremental cost was charged to UNS Electric. The Company is asking the Commission to include those incremental costs incurred in the course of this rate case as a portion of its cost of service without adjustment.

The Company's initial payroll and overtime expense adjustments were accepted by Staff and RUCO. However, the Company revised their payroll expense to reflect the known wage rate increase that became effective January 2007. The Company also revised their overtime expense to reflect the methodology most recently proposed by the Staff witness in the UNS Gas case (and the UNS Electric case) and accepted by UNS Gas in that proceeding.

The Company has adjusted the portion of shared services cost capitalized to reflect the most recent capitalization rate being used in preparing the actual books and records of the Utility. The Staff has not opposed the Company's proposed adjustment for a known rate change that impacts how expenses are recorded and recovered on a prospective basis and the adjustment should be accepted as proposed.

The Company strongly disagrees with RUCO's proposed normalization adjustment to the "Overhead Line Maintenance" account. RUCO has incorrectly used a four year average that includes the partial year of 2003, which distorts the results and causes them to not be reflective of actual expected results.

# Summary of the Testimony of Michael J. DeConcini Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

In my Direct Testimony, I discussed: (i) UNS Electric's existing power supply, (ii) UNS Electric's future power supply and procurement plan, (iii) UNS Electric's Fuel & Wholesale Power Hedging Policy, (iv) UNS Electric's requested rate treatment for two new combustion turbines in Mohave County, (v) UNS Electric's existing Purchased Power and Fuel Adjustment Clause ("PPFAC") and (vi) UNS Electric's proposed PPFAC.

UNS Electric presently obtains its power through a full requirements Power Supply Agreement ("PSA") with Pinnacle West Capital Corporation ("PWCC"). The PWCC PSA expires at the end of May 2008. UNS Electric also owns 65 MW of generation capacity within its Santa Cruz County load area that is used for reliability must run circumstances. UNS Electric presently does not own any generation capacity in its Mohave County load area or in any location outside its load areas.

UNS Electric is already planning – and beginning to procure – the power supply it will need in place at the expiration of the PWCC PSA. To provide a perspective on that planning and procurement, I provided an overview of both the power supply Procurement Plan and the Fuel and Wholesale Power Hedging Policy that UNS Electric is using to address acquisition of wholesale electric power and fuel after the expiration of the PWCC PSA. UNS Electric is not seeking formal approval of either the Procurement Plan or the Hedging Policy in this docket. However, a critical element of the new power supply is the acquisition of 90 MW of generation in the Mohave County load area. This generation -- the Black Mountain Generating Station -- will provide many operational benefits to UNS Electric and its customers. In order to ensure that UNS Electric will be able to acquire that generation, it is requesting that the generation assets be included in its rate base, effective June 1, 2008, the date that the PWCC PSA expires.

I also proposed a new PPFAC that also will become effective on the date the PWCC PSA expires. The current UNS Electric PPFAC rate is fixed and is tied to the PWCC PSA costs. When the PWCC PSA expires, UNS Electric will need a PPFAC that will accurately reflect UNS Electric's procurement of wholesale power and fuel. The proposed PPFAC was based on the elements typically underlying recently approved PPFACs and would include a 12-month rolling average cost of power supply as the basis for retail pricing adjustments.

In my Rebuttal Testimony, I discussed: (i) Staff and RUCO's Direct Testimony regarding the Company's proposed rate treatment of the Black Mountain Generating Station ("BMGS"), (ii) Staff and RUCO's Direct Testimony on the Company's proposed changes to its current Purchased Power and Fuel Adjustment Clause ("PPFAC"); and (iii) in response to Staff's recommendations, UNS Electric's new proposed PPFAC that is modeled on Staff's proposal in the recent APS rate case.

# Summary of the Testimony of Michael J. DeConcini Docket No. E-04204A-06-0783

First, the Company believes acquiring BMGS is necessary and in the best interest of the Company and its customers, thereby making its proposed rate treatment for BMGS reasonable and appropriate.

Second, based on Staff's Direct Testimony in this case, the recent Commission decision in the APS rate case (Decision No. 69663 (June 28, 2007)) and the PPFAC mechanism that TEP recently filed in Docket No. E-01933A-07-0402, the Company is proposed to modify the PPFAC it proposed in its Direct Testimony. Essentially, the Company's new PPFAC is the same Power Supply Adjustor ("PSA") that Staff proposed for APS, with the exception of a Transition Component, and is virtually the same mechanism that was recently filed in TEP's rate case.

The purpose of my Rejoinder Testimony was to address Commission Staff's Witness Ralph C. Smith's Surrebuttal Testimony on UNS Electric's revised Purchased Power and Fuel Adjustment Clause ("PPFAC") as filed in my Rebuttal Testimony. I also address the Surrebuttal Testimony of RUCO witness Marylee Diaz Cortez on this same topic.

UNS Electric is in agreement with the majority of Mr. Smith's recommendations on the proposed PPFAC and POA, the only exception being the "Other Allowable Costs" category. The Company requested that the Commission include UNS Electric's procurement, scheduling and management costs in the "Other Allowable Costs". The Company disagreed with Ms. Diaz Cortez's testimony that a PPFAC using a historical rolling average, an annual cap, and a sharing provision is a better mechanism.

# Summary of the Testimony
# of Edmond A. Beck
# Docket No. E-04204A-06-0783

I have filed both Direct and Rebuttal Testimony in this case.

My testimony discusses efforts undertaken by UNS Electric to maintain and improve reliability for UNS Electric customers. With regards to its Santa Cruz service area, UNS Electric recently installed a new 20MW turbine in Nogales as a critical element for the reliability and restoration needs of Santa Cruz County. The turbine became commercially operable during the Test Year and UNS Electric is seeking to include it in rate base. The Company also has undertaken other system improvements in the Santa Cruz County service area since the acquisition of the electric system assets from Citizens to improve reliability.

With respect to UNS Electric's Mohave County service area, the addition of the Black Mountain Generating Station ("BMGS") will improve reliability in that load pocket and will help ameliorate transmission limitation concerns in the future. Also conversion of transmission service received from Western from Point to Point service to Network service was completed in June of 2007 that eliminates certain limitations on service capacity to the Mohave area.

# Summary of the Testimony of D. Bentley Erdwurm Docket No. E-04204A-06-0783

I have filed Direct, Rebuttal and Rejoinder Testimony in this case.

My testimony supports the class cost of service study, rate design, and demand side management (DSM) cost recovery, including weather normalization and year-end customer annualization. Additionally, my testimony discusses some proposals that will facilitate UNS Electric's moving toward a diversified power supply portfolio. These proposals include resetting the beginning PPFAC to zero and shifting of selected power supply costs to base rates, unbundling rates such that a delivery charge and a power supply charge are separately stated, and implementing the June 1, 2008 rate reclassification associated with a post test-year adjustment to rate base for the Black Mountain Generating Station.

The key class cost of service issue is the allocation of purchased power. I have proposed that purchased power be allocated in part (40%) on average and peaks and in part (60%) on energy. This recognizes that both load factor and total consumption drive generation costs. This is consistent with my proposed Tucson Electric Power Co. approach, approved by this Commission in 1994. The simple volumetric pricing in the UNS Electric's current power supply contract with Pinnacle West Capital Corporation (PWCC PCA) sheds no light on underlying generation cost causation. In any case, the PWCC PSA is soon to expire so its provisions are irrelevant to choosing the best purchased power allocation approach. My allocation of purchased power costs both on average and peaks and on energy insures fair treatment to all classes – both high and low load factor – in the allocation of purchased power costs.

Because revenue allocation for rate design purposes was not dictated by the class cost of service study, either in the Company's proposal or in the Staff's proposal, the Commission's choice between the Company's method or Staff's method for purchased power allocation will not affect the rate increases by class or the actual rates. This is one of the many cases where proposed rates are not set exactly at costs, due to class impacts or other regulatory considerations. However, the choice of method will provide guidance in future cases and may have longer term effects.

With respect to rate design, UniSource recognizes that its utility companies must propose new, more ambitious programs to promote conservation and the wise use of energy. Our UNS Electric service territory is one of the fastest growth areas in the nation. We need effective programs now – the type of programs that get customers' attention and involve them in being part of the solution to our energy challenges. PURPA – the federal law that encourages cost-based time-of-use rates and load shifting – was enacted twenty-nine years ago. We have had plenty of time "to think about it". The workshops, study groups, studies, and experimental rates that were useful in the past are today inadequate – too much "talk" – too little "walk."

Consequently, UNS Electric has proposed significant rate design changes that promote conservation and help reduce on-peak energy usage and peak demand. The scale of time-of-use programs will expand dramatically. Specifically, UNS Electric has proposed mandatory time-of-use rates for new and moving residential and smaller general service customers. TOU will make customers aware of the higher cost of on-peak service, so that customers can make informed decisions. Additionally, UNS Electric is proposing a three-tiered inclining block rate structure for residential and general service customers. The inclining block structure provides for a first block of basic monthly consumption. Consumption in blocks 2 and 3 is more expensive on a per-unit basis for comparable time-of-use periods. Time-of-Use period pricing merged with the inclining structure provides a double dose of conservation incentive. Consequently, it is extremely important that both time of use and the inclining block structure are implemented together and in this proceeding.

I would like to illustrate how time-of-use and inclining block work together here. The least expensive energy will be 1st block off-peak service. The 1st block is discounted because it is the basic needs block; the off-peak period is the least expensive time-of-use period. Combined, 1st block and off-peak provide an exceptional value. The most expensive service will be 3rd block on-peak service. The other services will be intermediately priced. Consider a customer with a meter reading of 180 on-peak kWh, 380 off-peak kWh, and 40 shoulder kWh. The total month's usage is 600 kWh. The customer is entitled to 400 kWh of the 600 kWh at the 1st block prices – that is, 66.667 % of his energy at the 1st block price. Likewise 33.333% of monthly consumption will be at the second block price. This customer is billed for 180 on-peak kWh in total, but 120 kWh (180 times 66.667%) are 1st block on-peak kWh , and 60 kWh are 1st block off-peak kWh (180 times 33.333%). Similar calculations can be performed to get the 2nd block quantities.

Other rate design changes in testimony involve mandatory time-of-use for all larger (over 1,000 kW) commercial and industrial customers, consolidation of Mohave and Santa Cruz County rates, increasing customer charges to levels supported by the "bare-bones" approach, decreasing the large power service demand charge, and changing the threshold that requires an automatic switch from small general service to large general service. Placing the largest customers on time-of-use provides the largest impact in load shifting.

Finally, I propose to eliminate the link between the CARES and Medical CARES discount and energy usage. All qualifying customers should receive the full discounts, regardless of whether any energy is used in the month. The Company has proposed a CARES discount of $8.00 per month, and a Medical CARES discount of $10.00 per month. The decoupling of the CARES discounts and usage is also supported by RUCO.

# Summary of the Testimony
# of Denise A. Smith
# Docket No. E-04204A-06-0783

I have filed Rebuttal and Rejoinder Testimony in this case. My Testimony responds to Demand-Side Management ("DSM") testimony filed by other parties.

In response to requests by Staff and interveners in other UniSource proceedings, UNS Electric submitted a DSM program portfolio with detailed program summaries filed on June 13, 2007 in a separate docket (Docket No. E-04204A-07-0365). That filing replaced programs filed in direct testimony in this proceeding.

In this docket, UNS Electric has requested approval of a DSM adjustor mechanism. The adjustor mechanism is an essential component of the DSM portfolio that provides timely cost recovery, flexibility, and transparency to customers regarding the cost of DSM programs.

UNS Electric's DSM program portfolio includes a range of programs designed to provide all of UNS Electric customer segments with opportunities to reduce demand, save energy and reduce energy costs. The programs are designed to provide options for improving the energy efficiency of existing residential homes, residential new construction projects, residential low-income homes, commercial and industrial ("C&I") energy efficient equipment, and non-residential new construction and renovation projects.

UNS Electric has submitted seven program plans for approval:

(1) continuation and enhancement of the existing LIW program;

(2) continuation and expansion of the new home construction program to meet EPA's Energy Star requirements;

(3) continuation and enhancement of the education and outreach programs;

(4) residential HVAC retro-fit program providing incentives to encourage the replacement to more energy-efficient equipment;

(5) residential shade tree program;

(6) direct load control program for residential and small commercial customers; and

(7) Commercial and Industrial program providing incentives to owners and operators to more energy efficient equipment.

# Summary of the Testimony
# of Denise A. Smith
# Docket No. E-04204A-06-0783

Over the five year program portfolio this proposed DSM program plan will save approximately sixty-one million cumulative kWhs, 53,000 kW of demand, and over five hundred thousand therms. Over the five years there is a net benefit to society of approximately nine million dollars. In addition, the DSM portfolio reduces carbon dioxide emissions by over 34 million pounds, 19 thousand pounds of NOx and 6 thousand pounds of SOx.

# Summary of the Testimony of Thomas N. Hansen Docket No. E-04204A-06-0783

I have filed Rebuttal and Rejoinder Testimony in this case. My Testimony responds to Direct and Surrebuttal Testimony of Mr. Magruder regarding the status of EPS program performance by UNS Electric during the test year. I provide information to correct the information in Table 14 in Mr. Magruder's Direct Testimony and Surrebuttal Testimony, purporting to reflect the UNS Electric EPS annual energy requirements. I cite solar generation installations and UNS Electric customer visits related to development of renewable energy resources in Santa Cruz County, contrary to Mr. Magruder's assertion that there is no solar generation in Santa Cruz County and that UNS Electric is not supporting renewable generation development in Santa Cruz County. Finally, in response to Mr. Magruder's four recommendations regarding UNS Electric's future REST program filings and reporting, I note that in compliance with the REST rules, UNS Electric will be filing a proposed REST Implementation Plan and Tariff prior to October 14th and future Commission compliant renewable energy reporting documents will continue to be reviewed by me prior to filing as they have been in the past, as long as I hold my current position responsibilities.